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GOVERNMENT OF THE DISTRICT OF COLUMBIA



EXECUTIVE OFFICE OF THE MAYOR

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Committee on Government Reform  
United States House of Representatives

The Honorable Thomas M. Davis, III, Chairman  
The Honorable Henry A. Waxman, Ranking Member

***Budget Autonomy in the District of Columbia***

Statement of

**Anthony A. Williams**

Mayor  
District of Columbia

Friday, June 13, 2003  
2154 Rayburn House Office Building  
10:00 a.m.

Thank you Chairman Davis, Ranking Minority Member Waxman, and members of the committee for this opportunity to testify on budget autonomy for the District of Columbia. Chairman Davis, you have truly raised the bar for leadership and commitment to the District, and I feel encouraged that the interests of the District will be well served with you in this position.

As we discuss budget autonomy it is very appropriate that we are doing so under the leadership of the Committee on Government Reform. This is true because the critical outcome of budget autonomy will be to greatly advance the reform of service delivery in the District government. Where service delivery has been hampered by local management issues, we have taken aggressive action, and have made great progress. Now, we must examine where service delivery is hampered by larger constraints such as the federal approval process for our budget.

For the purpose of budgeting, the District has had the dual identity of being a local government and a federal agency. In our federal system of government, this one-of-a-kind structure has created one-of-a-kind challenges. At the root of all of these problems is the need for an appropriate level of managerial discretion and flexibility.

As the front line of government service delivery, no local governments can operate effectively without the ability to respond quickly to changing public needs. In a complicated society such as ours, there are new challenges and new opportunities that arise on a monthly, weekly, and sometimes daily basis. As the primary deliverer of services, local governments can only be effective if they can respond to changing circumstances by changing programs and services in a timely and responsive manner.

All state governments in our nation have this flexibility. They control their own programs and budget allocations without the need for approval from Congress. This allows them to allocate funding in a quick and responsive manner to meet emerging public needs. The District, on the other hand, must develop its budget according to the extremely complicated and lengthy federal appropriations process. This requirement disrupts service delivery in several troublesome ways:

1. ***It lengthens the time period between identifying a service need and implementing a solution.*** In fiscal year 2001, for example, we began cracking down on owners of slum properties to improve living conditions there. As we did so, however, we noted that residents of these properties needed to be relocated during the renovation process. Because of our lack of autonomy, however, we had to wait over a year for the federal government to approve this budgetary change in our local budget.
2. ***Service improvements are further hindered by federal delays in the budget approval process.*** Since 1996, the average Congressional delay has

been almost three months, *which is almost a full quarter of the fiscal year*. During these delays critical new investments cannot be funded.

In FY 2002, for example, the delay affected service improvements such as new school nurses, prescription drug benefits, police equipment and staffing, fire fighter hires, and the tenant relocation fund discussed earlier. In FY 2003, the Congressional delay lasted through February – *almost half a year*. That inaction has jeopardized new investments in foster care, public schools, and improved compensation for police and firefighters.

3. ***Mid-year budget reallocations require an act of Congress, and disrupt service delivery.*** Local governments need the flexibility to respond to rapid changes in their needs. The District is not allowed to significantly reallocate funds to meet changing needs without an act of Congress. Last year, for example, DC needed to reallocate funds to support the movement of children from foster care to adoption. This transfer of funding could not be complete for months until a supplemental appropriation bill moved through Congress.
4. ***Delays negatively affect marketability of District bonds.*** The uncertainty about whether the District will have a budget at the start of the fiscal year must be disclosed to potential buyers of DC's municipal bonds. In general, greater uncertainty means higher interest rates for DC, which in turn means that more of the budget goes toward paying interest, and less goes to other priorities.
5. ***Program managers must “use or lose” funding at the end of each year.*** Congressional approval for spending expires at the end of the year, which punishes program managers who save funds by not allowing them to carry those funds forward for other purposes.

To provide even more justification to the case for budget autonomy, it is important to note that despite the time-consuming budget review process, recent history shows that neither Congress nor the White House have made any changes to the actual allocation of local funds in the District budget. Instead, they have limited their changes to legislative provisions and direct federal appropriations – two things they can still add under a streamlined process.

In terms of specific changes required, first and foremost is exempting the District from future continuing resolutions. Just last week Chairman Frelinghuysen of our House Appropriations Subcommittee acknowledged the importance of this change, and committed himself to achieving it. As valuable as this change would be, however, an even better solution would be to create a passive review process. In this process, the District's budget is deemed approved unless Congress passes a joint resolution to disapprove it. This solution would not only eliminate delays associated with continuing resolutions, it would allow the District to realign its budget timeline

with a more standard state process, thereby providing the flexibility needed to further improve services.

The District has demonstrated its readiness for greater flexibility through a strong record of responsible financial management. For example, since the sunset of the control board, the District has balanced our sixth consecutive budget, and we completed our year-end financial audit with a clean opinion, with a marked reduction in management letter comments, and on a very timely basis.

Furthermore, the District has managed the recent economic pressures with great fiscal discipline. States across the country are facing the worst fiscal crisis since World War II, and the District is no exception. Due to the national economic downturn, the District experienced a decline in revenues of approximately \$370 million in the first half of FY 2003. This decline equates to a 10% loss in our local operating budget. Because the economy has not yet recovered, these challenges continued into FY 2004, and the District began formulation of that budget with a projected gap of \$114 million.

In facing these challenges, however, the District not only continued its record of sound fiscal management, we achieved a level of responsible and conservative budgeting found only among the most financially prudent governments. As a result, the FY 2004 budget transmitted today is balanced in the current and future years. More notably, the District's leaders balanced this budget entirely through budget reductions. No accounting gimmicks were used, no tax increases were adopted, and not one dollar of the \$250 million in cash reserves was used.

This tremendous discipline demonstrates that the District is ready for greater budget autonomy. Accountability is a two-sided coin. If the Congress will restrict the District's autonomy when our performance lags, it should also increase our autonomy when our performance is strong.

As assurance that the District will continue its strong financial performance, the Congress has established Public Law 104-8, the Financial Responsibility and Management Assistance Act. This law ensures that the government continues to fulfill its financial obligations in a timely and responsible way. The District will also maintain an independent Chief Financial Officer who can support the continued financial recovery of the District.

In summary, I want to thank this committee for its leadership in promoting budget autonomy for the District. Last January, the President Bush issued a strong statement in favor of budget autonomy. That statement coupled with the support in both the House and Senate, give great cause for hope that the service improvement in the District can be greatly enhanced in the very near future.

Thank you for this opportunity to testify. After the statements of Chairman Cropp and Dr. Gandhi, I will be happy to answer any questions you may have.